

**BARBACANE, THORNTON
& COMPANY**

LAKE FOREST SCHOOL DISTRICT

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

JUNE 30, 2007

FIELDWORK END DATE: APRIL 21, 2008

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

April 21, 2008

Daniel D. Curry, Ed. D.
Superintendent
Lake Forest School District
5423 Killens Pond Road
Felton, DE 19943-9801

The Honorable Valerie A. Woodruff
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19901

We have performed the procedures enumerated below, which were agreed to by Lake Forest School District, the Office of Auditor of Accounts and the State of Delaware Department of Education. The procedures were performed solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Fixed Asset Policy Manual, the State of Delaware Department of Education Construction Technical Assistance Manual, the Delaware Code and the State of Delaware Budget and Accounting Manual. Lake Forest School District's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determined if the School District's policies and procedures for identifying, tracking and recording capital assets are adequate.

Our procedures disclosed no instances of noncompliance that resulted in adjustments or findings and recommendations.

2. Determined whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Our procedures disclosed no instances of noncompliance that resulted in adjustments or findings and recommendations.

3. Determined if expenditures are accurately stated and are made in accordance with the State Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education and the Local Board of Education.

Our procedures disclosed no instances of noncompliance that resulted in adjustments or findings and recommendations.

4. Determined whether the School District's construction project records and files include only active construction projects as of June 30 of the current fiscal year. We also ensured that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

Our procedures disclosed one instance of noncompliance that resulted in a finding and recommendation. See *Appendix A* for detail regarding findings, including our recommendation and management's responses.

5. Prepare the School District's Schedule of Construction Projects for Fiscal Year 2007.

See *Appendix C*.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Lake Forest School District management and Board Members and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, the State Treasurer's Office, Division of Accounting and the Office of Auditor of Accounts.

Barbacane, Thornton & Company

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

APPENDIX A

Procedure Agreed Upon #1:

Determine if the School District's policies and procedures for identifying, tracking and recording capital assets are adequate.

Finding:

None.

Recommendation:

Not applicable.

School District Response:

Not applicable.

Procedure Agreed Upon #2:

Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Finding:

None.

Recommendation:

Not applicable.

School District Response:

Not applicable.

Procedure Agreed Upon #3:

Determine if expenditures are accurately stated and are made in accordance with the State Fixed Asset Manual and the intent of the project scope mandated by the General Assembly, the Department of Education and the Local Board of Education.

Finding:

None.

Recommendation:

Not applicable.

School District Response:

Not applicable.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

APPENDIX A

Procedure Agreed Upon #4:

Determine whether the School District's construction project records and files include only active construction projects as of June 30 of the current fiscal year. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

Finding:

During our review of the amount deleted from CWIP, we noted that the District did not close out the proper amount to the State's fixed asset ledger for the Lake Forest High School renovations project. The amount of \$1,395,139 should have been removed from CWIP and added to the State's fixed asset ledger. However, only \$1,310,388 was deleted from CWIP and added to the fixed asset ledger.

Criteria:

The State requires all Districts to delete from CWIP all projects which have been substantially completed and add those projects to the State's fixed asset ledger so that they may be properly depreciated.

Cause:

This finding occurred because the District failed to include CWIP, in the amount of \$77,676, from the prior fiscal year as part of the amount which it deleted from CWIP. The District also failed to properly calculate the total current year expenditures for the Lake Forest High School renovations project, resulting in an additional understatement of \$7,075.

Effect:

As a result of this failure, the amount recorded in the State's fixed asset ledger is understated by \$84,751 and the asset is incorrectly depreciated. Also, the District's ending CWIP balance, as reported in its GAAP Package, is overstated by \$10,094.

Recommendation:

We recommend that the District carefully review its calculations of CWIP so that all amounts, from the current fiscal year and prior fiscal years, are properly included and subsequently deleted as projects are substantially completed.

School District Response:

The District will implement procedures to ensure that all future additions to the State's fixed asset ledger are properly reported and the ending balance of CWIP is correctly stated. The District will also contact the State Division of Accounting to determine what adjustments, if any, need to be made to correctly report the addition of the Lake Forest High School to the State's fixed asset ledger.

SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

The following schedule summarizes the prior year findings and the status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
During our completion of the Construction Projects Checklist for the renovations to Lake Forest High School, we noted that the District did not have its construction plans, specifications and cost estimates reviewed by the Division of Facilities Management prior to bid advertisements being placed.	We recommended that the District forward the noted information for future projects to the Division of Facilities Management for review prior to the solicitation of bids.	Implemented.

Status Key:

Implemented

The concern has been addressed by implementing the original or an alternate corrective action.

Not Implemented

The corrective action has not been initiated.

Partially Implemented

The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Projects included in Construction Work-in-Progress in the State CAFR:

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FYs	Total Project Expended to Date	Total Unspent as of 06/30/07
Central Elementary School	2006	620,300	0	620,300	498,665	39,385	538,050	82,250
North Elementary School	2007	44,200	0	44,200	19,792	0	19,792	24,408
South Elementary School	2006	1,023,338	0	1,023,338	351,370	130,530	481,900	541,438
	2007	7,241,000	0	7,241,000	162,144	0	162,144	7,078,856
W. T. Chipman Middle School (New Renovations)	2007	180,414	0	180,414	35,652	0	35,652	144,762
TOTAL		9,109,252	0	9,109,252	1,067,623	169,915	1,237,538	7,871,714

SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Other Construction-Related Projects:

(These expenditures are added as betterments to projects/buildings already in the State fixed asset ledger.)

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FYs	Total Project Expended to Date	Total Unspent as of 06/30/07
Lake Forest High School	2006	119,200	0	119,200	41,170	77,676	118,846	354
	2007	1,100,186	0	1,100,186	1,066,867	0	1,066,867	33,319
W.T Chipman Middle School (Old Renovations)	2000	1,980,300	0	1,980,300	0	1,980,300	1,980,300	0
	2001	1,980,100	(23,163)	1,956,937	0	1,956,937	1,956,937	0
TOTAL		5,179,786	(23,163)	5,156,623	1,108,037	4,014,913	5,122,950	33,673

Total Construction Projects Examined	14,289,038	(23,163)	14,265,875	2,175,660	4,184,828	6,360,488	7,905,387
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DISTRIBUTION OF REPORT

Copies of Lake Forest School District's Agreed-upon Procedures Attestation Engagement have been distributed to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable Richard S. Cordrey, Secretary, Department of Finance
The Honorable Jennifer W. Davis, Director, Office of Management and Budget
The Honorable Valerie Woodruff, Secretary, Department of Education
Ms. Trisha Neely, Director, Division of Accounting

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General
The Honorable Jack Markell, Treasurer, State Treasurer's Office
The Honorable R. Thomas Wagner, Jr., State Auditor, Office of Auditor of Accounts

Other

Dr. Daniel D. Curry, Superintendent, Lake Forest School District
Ms. Christine daCosta, Business Manager, Lake Forest School District
Ms. Dorcell S. Spence, Associate Secretary, Finance and Administrative Services Branch,
Department of Education